LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6142 **DATE PREPARED:** Jan 11, 2002
BILL NUMBER: SB 118 **BILL AMENDED:**

SUBJECT: Eligibility of SSI Recipient for Medicaid.

FISCAL ANALYST: Alan Gossard
PHONE NUMBER: 233-3546

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State
DEDICATED
X **FEDERAL**

Summary of Legislation: This bill provides that an individual who is receiving monthly assistance payments for the aged, blind, or disabled under the federal Supplemental Security Income (SSI) program is eligible for Medicaid. (Under current law, an individual receiving SSI disability payments must also meet the state's: (1) definition of disability; and (2) financial criteria.)

Effective Date: July 1, 2002.

Explanation of State Expenditures: (Revised) *Summary:* This bill will impact the state cost of providing Medicaid services to disabled individuals. The state share of additional Medicaid expenditures are estimated to range from a savings of $0.2 M to additional expenditures of $2.3 M for FY 2003 after taking into account administrative cost reductions. Additional FY 2004 costs to the state are estimated to be $1.5 M to $8.6 M.

SSI Population: Currently, about 57,000 of the 83,000 SSI recipients in Indiana are receiving Medicaid services. The additional cost of this bill is a result of more SSI recipients that are likely to be determined eligible for Medicaid services. Indiana, as a 209(b) state under federal regulations, is one of at least two states in the nation that has a medical definition for disability, as well as financial criteria, that are more restrictive than SSI. In most other states, eligibility for SSI implies automatic eligibility for Medicaid. However, current Indiana statute provides that an SSI recipient, in order to be eligible for Medicaid services, must have a physical or mental impairment or disease that appears reasonably certain to continue for at least four years (SEA 79-2000, effective 1/1/2001). This bill would provide Medicaid for an individual who receives assistance under SSI. This effectively makes the criteria for Medicaid eligibility less restrictive by requiring the disability to be reasonably certain to last for a continuous period of at least one year, the same as with SSI.

Based on 26,000 potential new eligibles (83,000 - 57,000 from above) less 2,970 to 5,500 SSI recipients estimated to be made eligible for Medicaid due to the passage of SEA 79-2000, potentially 20,500 to 23,000

SSI eligibles may now become eligible for Medicaid.

Petricia Day Case: On September 29, 2000, the Indiana Court of Appeals issued a ruling in *Humphreys v. Day* that held that an individual who suffers from a disabling condition that could be treated, but who does not receive the treatment because of an inability to pay for the treatment, is "disabled" for purposes of eligibility for Medicaid in Indiana. [Note: The disabling condition must be one that is expected to last throughout the individual's lifetime if the individual applied for Medicaid before 1/1/01 or for at least four years if the individual applied for Medicaid on or after 1/1/01. The individual currently must also still meet the financial requirements for Medicaid.] The Indiana Supreme Court declined to hear FSSA's appeal of the Court of Appeals' decision.

OMPP estimates that, of the SSI recipients described above who are not on Medicaid, approximately 18,000 individuals may be eligible for Medicaid now due to the outcome of the Day Case. This leaves a balance of about 2,500 to 5,000 individuals who may be affected by this bill. [Note: Good data does not exist to provide information as to the degree of overlap between the SSI population and the population affected by the Day case. It is assumed that most of the Day individuals would also be part of the SSI population. However, to the extent that some individuals within the Day population are not SSI-eligible, the impact of this bill will be understated.]

Cost of New Disability Definition: OMPP projects the average annual Medicaid cost per disabled individual to be $15,588 in FY 2001. Inflating to FY 2003, the total *exposure* to the state is projected to be $33.7 M with federal reimbursement of $20.9 M. The state share would be $12.8 M. State share of Medicaid costs are about 38% for program expenditures and 50% for administrative expenditures.

During the first six months of 2001 after the effective date of the 4-year provision (SEA 79-2000), the average monthly rate of new enrollment for the new population was about 0.9% to 1.6% of the estimated eligibles. If the remainder of the SSI population made eligible by this bill came onto the Medicaid program at the same rate, there would be 22 to 82 new enrollees per month (264 to 984 per year). New costs in the first year (FY 2003) from the definition change is estimated to be $2.4 M to $9.0 M with federal reimbursement of $1.5 M to $5.6 M. The state share would be $0.9 M to $3.4 M. FY 2004 costs to the state are estimated to be $2.6 M to $9.7 M.

There will also be some administrative savings associated with the eligibility determination process. According to OMPP, adopting SSI criteria would not completely eliminate the need for the Medicaid Medical Review Team as there would still be applicants who have not yet applied or received a determination of their SSI eligibility at the time of application for Medicaid. Due to federal requirements that all applications be acted upon within 90 days, the Medical Review Team would still be necessary. However, OMPP estimates reduced expenditures of about $2.18 M annually. With the rate of federal financial participation for administrative expenses at 50%, the state share of the cost reduction would be about $1.09 M.

Factoring in reduced administrative costs, the state share of additional Medicaid expenditures are estimated to range from a savings of $0.2 M to additional expenditures of $2.3 M for FY 2003. Additional FY 2004 costs to the state are estimated to be $1.5 M to $8.6 M.

Associated with the increased provision of health care services through the Medicaid program is some potential reduction in future expenditures by other payors such as hospital charity care, township Poor Relief, and potential cost-shifts from the private-pay market. However, the amount of expenditure reduction that

would be attributable to the provisions in this bill is not known.

Explanation of State Revenues: This bill's impact on Medicaid program expenditures are cost-shared with the federal government and will impact the amount of revenue which Indiana receives from the federal government as noted above.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of Medicaid Policy and Planning.

Local Agencies Affected:

Information Sources: Office of Medicaid Policy and Planning.